

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Gerrish	County Roscommon
Fiscal Year End 3/31/07	Opinion Date 7/25/07	Date Audit Report Submitted to State 9/27/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) James M. Anderson, P.C.		Telephone Number (989) 563-2450		
Street Address P.O. Box 255	Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA, c=US, o=James M. Anderson, P.C., email=jma@m33access.com Date: 2007.09.27 17:08:35 -04'00'	City Roscommon	State MI	Zip 48653
Authorizing CPA Signe	Printed Name James M. Anderson, CPA	License Number 1101017419		

**TOWNSHIP OF GERRISH
ROSCOMMON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2007**

TOWNSHIP OFFICIALS

Supervisor

Greg Gaylor

Clerk

Norma Boyle

Treasurer

Rebecca Ragan

TRUSTEES

Jim Lippert

James Ostling

TOWNSHIP OF GERRISH

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James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

INDEPENDENT AUDITOR'S REPORT

July 25, 2007

Township Board
Gerrish Township
Roscommon County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Gerrish, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund activity, and the aggregate remaining fund information of the Township of Gerrish, as of March 31, 2007, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MEMBER MACPA and AICPA

Page 2
Township Board
Gerrish Township
Roscommon County, Michigan

The management's discussion and analysis on pages 3-9 and budgetary comparison information on pages 29-37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Gerrish's basic financial statements. The introductory section, combining and individual nonmajor financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

TOWNSHIP OF GERRISH MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Gerrish Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007.

Financial Highlights

- . The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$4,299,649 (*net assets*). Of this amount, \$3,176,712 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- . The Township's total net assets increased by \$413,059.
- . As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$526,217, a decrease of \$16,885 in comparison with the prior year.
- . At the end of the current fiscal year, unreserved fund balance for the general fund was \$526,217 or 95% of total general expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1)Government-wide financial statements, 2)Fund financial statements, and 3)Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

TOWNSHIP OF GERRISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and recreation and cultural. The Township does not have any business-type activities as of and for the year ended March 31, 2007.

The Government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains six governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire, Police, Sanitation, Cemetery and Building Authority Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12-13 and 15-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

TOWNSHIP OF GERRISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-28 of this report.

Government-wide Financial Analysis

A portion of the Township's net assets (26%) reflects its investments in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

	Governmental Activities			
	2007	2006	Variance	%
Current and Other Assets	\$3,192,816	\$2,722,956	\$ 469,860	17.26
Capital Assets, Net	<u>1,467,937</u>	<u>1,546,206</u>	<u>(78,269)</u>	<u>(5.06)</u>
Total Assets	<u>4,660,753</u>	<u>4,269,162</u>	<u>391,591</u>	<u>9.17</u>
Current Liabilities	36,104	37,572	(1,468)	(3.91)
Long-Term Liabilities	<u>325,000</u>	<u>345,000</u>	<u>(20,000)</u>	<u>5.80</u>
Total Liabilities	<u>361,104</u>	<u>382,572</u>	<u>(21,468)</u>	<u>(5.61)</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,122,937	1,186,206	(63,269)	(5.33)
Unrestricted	<u>3,176,712</u>	<u>2,700,384</u>	<u>476,328</u>	<u>17.64</u>
Total Net Assets	<u><u>\$4,299,649</u></u>	<u><u>\$3,886,590</u></u>	<u><u>\$ 413,059</u></u>	<u><u>10.63</u></u>

TOWNSHIP OF GERRISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Township's net assets increased by \$413,059 during the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$232,996 or 6%, during fiscal year 2007.

Township's Changes in Net Assets

	Governmental Activities			
	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
Revenue:				
Program Revenue:				
Charges for services	\$ 192,335	\$ 177,921	\$ 14,414	8.10
Capital Grants and Contributions	19,384	6,409	12,975	202.45
General Revenue:				
Property Taxes	1,803,203	1,571,163	232,040	14.77
State-Shared Revenues	214,943	218,482	(3,539)	(1.62)
Interest	107,702	71,938	35,764	49.72
Other	33,836	24,944	8,892	35.65
Total Revenue	<u>2,371,403</u>	<u>2,070,857</u>	<u>300,546</u>	<u>14.51</u>
Expenses:				
General Government	428,923	403,425	25,498	6.32
Public Safety	1,156,109	1,100,735	55,374	5.03
Public Works	342,896	299,205	43,691	14.60
Recreation and Culture	12,394	15,452	(3,058)	(19.79)
Other	18,022	19,044	(1,022)	(5.37)
Total Expenses	<u>1,958,344</u>	<u>1,837,861</u>	<u>120,483</u>	<u>6.56</u>
Increase in Net Assets	413,059	232,996	180,063	77.28
Net Assets, Beginning of Year	<u>3,886,590</u>	<u>3,653,594</u>	<u>232,996</u>	<u>6.38</u>
Net Assets, End of Year	<u>\$ 4,299,649</u>	<u>\$ 3,886,590</u>	<u>\$ 413,059</u>	<u>10.63</u>

Governmental Activities

The Township's total governmental revenues increased by \$300,546 from last fiscal year. This was primarily attributed to additional revenue from property taxes and an increase in interest revenue. Expenses increased by \$120,483. This is primarily from the increased costs in the Police Department, road projects, and general inflationary increases.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TOWNSHIP OF GERRISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,176,712, an increase of \$476,328 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount.

The primary governmental fund is the General Fund of the Township. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 95% of total general fund expenditures.

The fund balance of the General Fund increased by \$16,885 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Fire, Police, Sanitation, Cemetery and Building Authority Funds.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounted to \$1,467,937 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$79,094 for the fiscal year.

Township's Capital Assets (net of depreciation)

	2007	2006	Total Percentage Change
Land	\$ 10,000	\$ 10,000	0.00
Land Improvements	16,981	17,894	(5.10)
Buildings and Improvements	1,041,804	1,089,620	(4.39)
Machinery and Equipment	399,152	428,692	(6.89)
Totals	<u>\$ 1,467,937</u>	<u>\$ 1,546,206</u>	<u>(5.06)</u>

Additional information on the Township's capital assets can be found in note F on page 26 of this report.

TOWNSHIP OF GERRISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2007-2008 fiscal year:

The Township's major focus has been that of getting the grant from the DNR Trust Fund, which we managed to do in December of 2006. We were awarded \$2,800,000 over a two year period with a 70/30 match (max \$4,000,000) to acquire the property which is known as the Higgins Lake Boat Yard and the adjoining properties North of Mill Street which all makes up about 435 feet on Higgins Lake and a little over 5 acres.

We again had to apply for the second half of the grant as a formality and resubmit the grant application to the Trust Fund. We have been back and forth on how this would all be accomplished and still have many items up in the air, but at this point the bill has been signed by the governor and we have been moving forward with appraisals.

Once purchased the park/marina should be open the summer of 2008 with the Township operating the park. The first summer it will be running as is with changes and improvements to come over the following years.

Our board attempted to get a road millage passed on two occasions and both times the question failed on the ballot. Our roads continue to deteriorate and the cost to bring them up to where they should be continues to escalate. One thing we really do need is a vehicle to fund the improvement of our roads. With very little funds for brining and a small amount for improvements, it appears as though within a few years we may be beyond catching up. East Higgins Lake Drive was accepted as a county road, which takes this road off of the Township rolls, and will help some.

There are no real issues with the Cemetery; a portion of the road within the cemetery was paved; however paving to the drive within the cemetery on Burdel was postponed due to the lack of funding.

Our new compost site and recycling area is complete and getting a fantastic reception and lots of use. Thanks to the efforts of Mary Ann Figley and Jim Ostling this site has proved to be a very nice addition to the township.

Our board lost a very good member this year, with the retirement of Jim Lippert to take a position with the Fire Department. A new chief was hired (John Patchin) and things have been moving very well towards getting our ISO Fire Protection Class rating changed/improved. It appears as though it might all happen as soon as October of 2007. John and his crew have done an excellent job of taking hold of the fire department and really making some progress and making it a department that we can all be proud of.

A new ambulance has been ordered and we should be taking delivery later in 2007.

TOWNSHIP OF GERRISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Another change was our police department, Sergeant Brian Hill was promoted to Chief Brian Hill and in turn Greg Patchin was promoted to Sergeant. A search was also done to hire a new officer to replace the position that was left open and Eric Muchinski was hired to do that. John "Jack" Biggar retired in September after 40 plus years with the Gerrish Township Police Department. Jack started it all and worked through many years of change and progress, ending up with a department that is a model for community policing throughout the country.

The police department applied for a grant from the "smokeless tobacco" group and received a Polaris Gator, which will be delivered in late September 2007.

The Township continues to struggle with road end issues and between front lot (riparian) and back lotters, attempting to get access to the lake. Last winter we conducted several joint lake access meetings with members from those two groups and many others to try to solve the many issues on the lake. As a spinoff of this committee was also an environmental committee that still survives and continues to meet.

Property values while not a huge issue may turn in to one if the current housing situation doesn't repair itself. We have many homes selling for way under value and others that have been for sale for a long time without any movement. With falling property values would come falling taxes. This would have to be planned for in the near future should the economy not level out.

There also continues to be rumors of the new amusement park going in between Exit 244 and Grayling. This could have a profound effect on our Township, Higgins Lake and the area immediately around both the 239 and 244 exits.

Our planning commission led by Tom Barber, met diligently and has completed our Master Plan. They are continuing to work on our Zoning Ordinances and many other issues and doing an excellent job of putting our plan together.

The Treasurers office and the Assessors office have changed over to a new B S & A software program and the transition appears to be going well. The county has also implemented the use of this software.

Overall we are a very healthy Township. This could change, but it appears from everything that is in the budget that we will continue to be very sound.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Gerrish Township
2997 E. Higgins Lake Dr.
Roscommon, MI 48653**

TOWNSHIP OF GERRISH
STATEMENT OF NET ASSETS
MARCH 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 1,329,774
Receivables:	
Accounts Receivable	3,174
Interest	17,551
Taxes and Assessments	1,802,047
Other Governmental Units	<u>40,270</u>
Total Current Assets	3,192,816
Non-Current Assets:	
Capital Assets - Net	<u>1,467,937</u>
Total Assets	<u>4,660,753</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	16,104
Current Portion of Long-Term Debt	<u>20,000</u>
Total Current Liabilities	<u>36,104</u>
Long-Term Liabilities:	
Bonds Payable	<u>325,000</u>
Total Liabilities	<u>361,104</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,122,937
Unrestricted	<u>3,176,712</u>
Total Net Assets	<u><u>\$ 4,299,649</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERRISH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
GOVERNMENTAL ACTIVITIES					
General	\$ (428,923)	\$ 31,121	\$ 3,470	\$ -0-	\$ (394,332)
Public Safety	(1,156,109)	161,214	15,914	-0-	(978,981)
Public Works	(342,896)	-0-	-0-	-0-	(342,896)
Recreation and Cultural	(12,394)	-0-	-0-	-0-	(12,394)
Interest on Long-Term Debt	<u>(18,022)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(18,022)</u>
Total Governmental Activities	<u><u>\$ (1,958,344)</u></u>	<u><u>\$ 192,335</u></u>	<u><u>\$ 19,384</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ (1,746,625)</u></u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purpose					280,574
Public Safety					1,238,645
Public Works					283,984
State Shared Revenue not restricted to specific purposes					214,943
Miscellaneous					33,836
Investment Earnings					<u>107,702</u>
Total General Revenues					<u>2,159,684</u>
Change in Net Assets					413,059
Net Assets - April 1					<u>3,886,590</u>
Net Assets - March 31					<u><u>\$ 4,299,649</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERRISH
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2007

ASSETS	<u>General</u>	<u>Fire</u>
Cash and investments	\$ 170,954	\$ 427,908
Taxes receivable	279,860	713,586
Due from other Governmental Units	40,270	-0-
Accounts receivable	-0-	3,174
Interest receivable	13,431	1,895
Due from other funds	<u>29,102</u>	<u>-0-</u>
Total Assets	<u>\$ 533,617</u>	<u>\$1,146,563</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 7,400	\$ 3,959
Due to other funds	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>7,400</u>	<u>3,959</u>
Fund Equity:		
Fund balance:		
Undesignated	<u>526,217</u>	<u>1,142,604</u>
Total Fund Equity	<u>526,217</u>	<u>1,142,604</u>
Total Liabilities and Fund Equity	<u>\$ 533,617</u>	<u>\$1,146,563</u>

The accompanying notes are an integral part of these financial statements.

<u>Police</u>	<u>Sanitation</u>	<u>Other Funds</u>	<u>Totals</u>
\$ 107,821	\$ 231,367	\$ 391,724	\$ 1,329,774
524,617	283,984	-0-	1,802,047
-0-	-0-	-0-	40,270
-0-	-0-	-0-	3,174
553	1,044	628	17,551
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>29,102</u>
<u>\$ 632,991</u>	<u>\$ 516,395</u>	<u>\$ 392,352</u>	<u>\$ 3,221,918</u>

\$ 4,745	\$ -0-	\$ -0-	\$ 16,104
<u>14,333</u>	<u>14,769</u>	<u>-0-</u>	<u>29,102</u>
<u>19,078</u>	<u>14,769</u>	<u>-0-</u>	<u>45,206</u>

<u>613,913</u>	<u>501,626</u>	<u>392,352</u>	<u>3,176,712</u>
<u>613,913</u>	<u>501,626</u>	<u>392,352</u>	<u>3,176,712</u>
<u>\$ 632,991</u>	<u>\$ 516,395</u>	<u>\$ 392,352</u>	<u>\$ 3,221,918</u>

TOWNSHIP OF GERRISH
RECONCILIATION OF FUND BALANCES ON BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
MARCH 31, 2007

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES	\$ 3,176,712
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds. This represents the amounts by which capital assets used in governmental funds exceeds accumulated deprecia- tion.	1,467,937
Long-term liabilities, including notes/bonds payable and accrued liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(345,000)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 4,299,649</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERRISH
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Police</u>
Revenues:			
Taxes and assessments	\$ 280,574	\$ 713,808	\$ 524,837
Intergovernmental	218,413	-0-	15,914
Charges for services	6,940	97,416	2,256
Licenses and permits	61,542	-0-	-0-
Interest	25,742	29,178	16,558
Other	<u>32,036</u>	<u>14,205</u>	<u>1,021</u>
Total Revenues	<u>625,247</u>	<u>854,607</u>	<u>560,586</u>
Expenditures:			
General government	400,998	-0-	-0-
Building administration	70,972	-0-	-0-
Law enforcement	-0-	-0-	531,566
Fire	-0-	493,863	-0-
Sanitation	-0-	-0-	-0-
Road projects	69,856	-0-	-0-
Cemetery	-0-	-0-	-0-
Recreation and cultural	12,492	-0-	-0-
Debt service:			
Principal	-0-	-0-	-0-
Interest and fees	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>554,318</u>	<u>493,863</u>	<u>531,566</u>
Excess:			
Revenue over			
(under) expenditures	<u>70,929</u>	<u>360,744</u>	<u>29,020</u>
Other financing sources (uses):			
Operating transfers in	-0-	-0-	-0-
Operating transfers (out)	<u>(54,044)</u>	<u>-0-</u>	<u>(46,340)</u>
Total Other Financing			
Sources (Uses)	<u>(54,044)</u>	<u>-0-</u>	<u>(46,340)</u>
Excess:			
Revenue and other financing			
sources over (under) expendi-			
tures and other Uses	16,885	360,744	(17,320)
Fund Balance - April 1	<u>509,332</u>	<u>781,860</u>	<u>631,233</u>
Fund Balance - March 31	<u><u>\$ 526,217</u></u>	<u><u>\$ 1,142,604</u></u>	<u><u>\$ 613,913</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Sanitation</u>	<u>Other Funds</u>	<u>Totals</u>
\$ 283,984	\$ -0-	\$ 1,803,203
-0-	-0-	234,327
-0-	10,755	117,367
-0-	-0-	61,542
18,109	18,115	107,702
-0-	-0-	47,262
<u>302,093</u>	<u>28,870</u>	<u>2,371,403</u>
-0-	-0-	400,998
-0-	-0-	70,972
-0-	-0-	531,566
-0-	-0-	493,863
273,040	-0-	273,040
-0-	-0-	69,856
-0-	9,266	9,266
-0-	-0-	12,492
-0-	15,000	15,000
-0-	18,022	18,022
<u>273,040</u>	<u>42,288</u>	<u>1,895,075</u>
<u>29,053</u>	<u>(13,418)</u>	<u>476,328</u>
-0-	100,384	100,384
-0-	-0-	(100,384)
<u>-0-</u>	<u>100,384</u>	<u>-0-</u>
29,053	86,966	476,328
<u>472,573</u>	<u>305,386</u>	<u>2,700,384</u>
<u>\$ 501,626</u>	<u>\$ 392,352</u>	<u>\$ 3,176,712</u>

TOWNSHIP OF GERRISH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 476,328

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds do not report long-term debt;
therefore, debt service payments are recorded as
expenditures. However in government-wide financial
statements, long-term debt is recorded as a
liability and payments are applied against the
outstanding balances.

15,000

Governmental funds report capital outlays as
expenditures. However in the statement of
activities, the cost of these assets are capitalized
and depreciation charged to expense over their use-
ful life.

(78,269)

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES

\$ 413,059

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERRISH
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2007

ASSETS	
Cash and Investments	<u>\$1,702,100</u>
LIABILITIES	
Undistributed Collections	<u>1,702,100</u>
Total Liabilities	<u>1,702,100</u>
NET ASSETS	
Net Assets	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERRISH
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2007

REVENUES	
Property Tax Collections	\$ 8,364,705
Interest Collections	17,723
Other	<u>15,761</u>
Total Revenues	<u>8,398,189</u>
EXPENDITURES	
Property Taxes	8,364,705
Other	<u>33,484</u>
Total Expenditures	<u>8,398,189</u>
Excess of Revenues over Expenditures	-0-
Net Assets - April 1	<u>-0-</u>
Net Assets - March 31	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

NOTE A: ENTITY

The Township of Gerrish is a general law township of the state of Michigan located in Roscommon County, Michigan. It operates under an elected board and provides services to its residents in many areas including law enforcement, fire and ambulance services, community enrichment, and human services. As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present the Township of Gerrish (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Gerrish conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are charged based upon a Township-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION: The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and select compensated absences are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* is used to account for all financial activity related to the Township's fire and ambulance service. The main source of revenue is derived from property taxes and ambulance fees.

The *Police Fund* is used to account for activity related to the Township's law enforcement services. The major source of revenue is from property taxes.

The *Sanitation Fund* is used to account for the Township's refuse pick-up services. The primary source of revenue is derived from property tax assessments.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The Township reports, in total, the following non-major governmental funds:

Cemetery Fund
Building Authority

Additionally, the Township reports the following fund types:

Agency Funds are used to account for assets held on behalf of outside parties, including other governments.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2006, are recorded as revenue in the current year. The Township's taxable value for the 2006 tax year totaled \$253,270,479.

The tax rates for the year ended March 31, 2007, were as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General	.9972 mills per \$1,000
Fire	Special Assessment
Police	Special Assessment
Sanitation	Special Assessment

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure), is computed using the straight-line or sum-of-the-years digits method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	30-50
Public domain infrastructure	8-50
Equipment	3-20

LONG-TERM OBLIGATIONS - In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE C - CASH AND INVESTMENTS

The captions on the balance sheets related to deposits and investments are as follows:

	<u>Cash and Deposits</u>	<u>Investments</u>	<u>Total</u>
Government Activities	\$ 222,255	\$ 1,107,519	\$ 1,329,774
Agency Funds	1,517	1,700,583	1,702,100
Total	<u>\$ 223,772</u>	<u>\$ 2,808,102</u>	<u>\$ 3,031,874</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$223,772 and the bank balance was \$232,019. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 69% of the total bank balance was covered by federal depository insurance.

The Government Accounting Standards Board Statement No. 3 risk disclosures for Gerrish Township's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 150,834	\$ 160,232
Uninsured and Uncollateralized	72,938	71,787
Total Deposits	<u>\$ 223,772</u>	<u>\$ 232,019</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

The Township has not adopted a policy that indicates how the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

The Township has adopted a policy that indicates that the Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Investments - Act 217, PA 1982, authorizes the Township to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Township's name.

All of the Township's investments totaling \$2,808,102 were in MBIA Municipal Investors Service Corporation which are made up of U.S. Treasury, Agencies, and instrumentalities, commercial paper, banker's acceptances and repurchase agreements.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable consists of ambulance billings of \$3,174.

NOTE E - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of amounts due from the State of Michigan of \$40,270.

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

<u>Primary Government</u>	<u>Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Governmental activities:				
Land	\$ 10,000	\$ -0-	\$ -0-	\$ 10,000
Total capital Assets, not being depreciated	10,000	-0-	-0-	10,000
Capital assets, being depreciated:				
Land improvements	18,275	-0-	-0-	18,275
Building and improvements	2,033,671	-0-	-0-	2,033,671
Machinery and equipment	1,093,094	79,094	-0-	1,172,188
Total capital assets, being depreciated	3,145,040	79,094	-0-	3,224,134
Less accumulated depreciation for:				
Land improvements	381	913	-0-	1,294
Buildings and improvements	944,051	47,816	-0-	991,867
Machinery and equipment	664,402	108,634	-0-	773,036
Total accumulated depreciation	1,608,834	157,363	-0-	1,766,197
Net capital assets, being depreciated	1,536,206	(78,269)	-0-	1,457,937
Net governmental activities capital assets	\$ 1,546,206	(78,269)	\$ -0-	\$ 1,467,937

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 27,339
Public safety	127,315
Recreation and cultural	2,709
Total depreciation expense - governmental activities	\$ 157,363

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE G - PENSION PLAN

The Township has a pension plan covering substantially all of its elected and appointed officials and employees. The plan is maintained with the Variable Annuity Life Insurance Company. Total pension expense for the year was \$40,291. The plan provides fully insured pension credits and each year's contributions sufficient to fully fund the benefits earned during the year. Payments to the plan have been used to purchase pension benefits, so there are no separate plan assets.

NOTE H - LONG-TERM DEBT

The following is a summary of the debt outstanding of the Township as of March 31, 2007:

	<u>No. of Issues</u>	<u>Interest Rate %</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
1998 Building Authority Bonds	1	5.1 to 7.0%	2018	<u>\$ 345,000</u>

CHANGES IN LONG-TERM DEBT

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2007</u>	<u>Due Within one year</u>
General Long-term Debt	<u>\$ 360,000</u>	<u>\$ -0-</u>	<u>\$ 15,000</u>	<u>\$ 345,000</u>	<u>\$ 20,000</u>

ANNUAL DEBT SERVICE REQUIREMENTS:

<u>Year Ending March 31,</u>	
2008	\$ 36,765
2009	35,835
2010	34,885
2011	38,793
2012	39,930
2013-2018	<u>278,085</u>
	464,293
Less Interest	<u>(119,293)</u>
Total Principal Outstanding	<u>\$ 345,000</u>

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE H - LONG-TERM DEBT (CONTINUED)

1998 Building Authority Bonds

On February 10, 1998, the Township formed a building authority to provide for the acquisition and construction of certain public buildings, parking lots, or other sites used for the Township. During the year ended March 31, 2000, the Township Building Authority issued \$440,000 General Obligation Limited Tax bonds for the construction of a law enforcement facility.

NOTE I - PARTIAL SELF-INSURANCE

The Township is a member of the Michigan Municipal Risk Management Authority. As a member of the Authority, the Township is partially self-insured for general and auto liability, motor vehicle physical damage and property loss claims. Under most circumstances, the municipality's maximum coverage is limited as follows:

<u>Type</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 3,159,440	100
Liability	5,000,000	-0-
Errors and Omission	5,000,000	-0-
Law Enforcement	5,000,000	-0-
Automobiles	5,000,000	500
Crime	10,000	-0-
Inland Marine	205,800	250
EDP	40,000	100
Workmen's Compensation	STATUTORY	-0-

**REQUIRED
SUPPLEMENTARY
INFORMATION**

TOWNSHIP OF GERRISH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes and Assessments:				
General property taxes	\$ 232,440	\$ 232,440	\$ 280,574	\$ 48,134
Total Taxes and Assessments	<u>232,440</u>	<u>232,440</u>	<u>280,574</u>	<u>48,134</u>
Intergovernmental:				
State shared revenues	202,737	202,737	208,984	6,247
State swamp tax	5,970	5,970	5,959	(11)
Metro-Act	<u>3,343</u>	<u>3,343</u>	<u>3,470</u>	<u>127</u>
Total Intergovernmental	<u>212,050</u>	<u>212,050</u>	<u>218,413</u>	<u>6,363</u>
Charges for Services:				
Fees	8,850	8,850	6,040	(2,810)
Rent	<u>500</u>	<u>500</u>	<u>900</u>	<u>400</u>
Total Charges for Services	<u>9,350</u>	<u>9,350</u>	<u>6,940</u>	<u>(2,410)</u>
Licenses and Permits	<u>70,000</u>	<u>70,000</u>	<u>61,542</u>	<u>(8,458)</u>
Interest	<u>10,000</u>	<u>10,000</u>	<u>25,742</u>	<u>15,742</u>
Other:				
Reimbursements	12,568	12,568	13,426	858
Fines and forfeitures	3,000	3,000	2,433	(567)
Sale of fixed assets	-0-	-0-	15,740	15,740
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>437</u>	<u>437</u>
Total Other	<u>15,568</u>	<u>15,568</u>	<u>32,036</u>	<u>16,468</u>
Total Revenue	<u>549,408</u>	<u>549,408</u>	<u>625,247</u>	<u>75,839</u>

TOWNSHIP OF GERRISH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government				
Township Board:				
Salaries-board	\$ 11,772	\$ 6,036	\$ 6,675	\$ (639)
Wages-receptionist	25,459	26,339	25,459	880
Payroll taxes	12,870	12,870	10,440	2,430
Legal fees	12,000	16,500	13,953	2,547
Professional services	9,000	12,750	10,564	2,186
Retirement	15,736	15,736	15,736	-0-
Repairs and maintenance	2,500	1,473	1,145	328
Health Insurance	8,355	13,211	8,950	4,261
Printing and publishing	1,000	1,000	663	337
Postage	6,000	4,000	937	3,063
Office supplies	4,500	4,500	1,683	2,817
Telephone	-0-	1,351	1,206	145
Miscellaneous	29,400	23,947	4,446	19,501
Street signs	2,000	2,879	2,878	1
Equipment	<u>2,500</u>	<u>2,450</u>	<u>2,315</u>	<u>135</u>
Total Township Board	<u>143,092</u>	<u>145,042</u>	<u>107,050</u>	<u>37,992</u>
Township Supervisor:				
Salary	23,488	9,681	9,681	-0-
Wages - Secretary	5,200	5,200	2,120	3,080
Wages - Deputy	1,000	1,000	221	779
Fringe benefits	90	13,897	13,883	14
Mileage	250	250	157	93
Office supplies	900	900	30	870
Repairs and maintenance	250	250	15	235
Miscellaneous	950	950	410	540
Equipment	<u>1,000</u>	<u>1,000</u>	<u>-0-</u>	<u>1,000</u>
Total Township Supervisor	<u>33,128</u>	<u>33,128</u>	<u>26,517</u>	<u>6,611</u>

TOWNSHIP OF GERRISH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Township Assessor:				
Salary	\$ 35,443	\$ 36,323	\$ 35,439	\$ 884
Field help	2,500	7,600	7,595	5
Fringe benefits	10,097	9,217	8,202	1,015
Notices and postage	2,380	3,880	3,833	47
Mileage	250	450	414	36
Office supplies	2,000	2,100	1,875	225
Equalization support	8,325	8,325	8,048	277
Repairs and maintenance	1,500	500	50	450
Miscellaneous	700	1,517	1,517	-0-
Equipment	<u>3,000</u>	<u>1,233</u>	<u>-0-</u>	<u>1,233</u>
Total Township Assessor	<u>66,195</u>	<u>71,145</u>	<u>66,973</u>	<u>4,172</u>
Election Board:				
Wages	7,000	7,000	5,132	1,868
Supplies	1,600	1,600	790	810
Printing and Publishing	150	150	73	77
Repairs and maintenance	500	1,250	1,055	195
Miscellaneous	<u>500</u>	<u>500</u>	<u>152</u>	<u>348</u>
Total Election Board	<u>9,750</u>	<u>10,500</u>	<u>7,202</u>	<u>3,298</u>
Township Clerk:				
Salary - clerk	31,936	31,936	31,936	-0-
Salary - deputy	5,000	5,000	4,434	566
Fringe benefits	85	85	54	31
Mileage	250	250	160	90
Office supplies	1,250	1,250	567	683
Printing and publishing	3,500	3,500	1,555	1,945
Repairs and maintenance	3,150	3,150	2,096	1,054
Miscellaneous	<u>650</u>	<u>650</u>	<u>-0-</u>	<u>650</u>
Total Township Clerk	<u>45,821</u>	<u>45,821</u>	<u>40,802</u>	<u>5,019</u>

TOWNSHIP OF GERRISH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Township Treasurer:				
Salary - treasurer	\$ 29,522	\$ 29,522	\$ 29,522	\$ -0-
Salary - deputy	15,270	3,665	3,477	188
Fringe benefits	87	11,692	11,617	75
Mileage	600	750	747	3
Office supplies	1,150	1,450	1,272	178
Postage	2,800	2,800	2,741	59
Tax statements	5,000	4,600	2,493	2,107
Repairs and maintenance	800	750	423	327
Miscellaneous	<u>650</u>	<u>650</u>	<u>621</u>	<u>29</u>
Total Township Treasurer	<u>55,879</u>	<u>55,879</u>	<u>52,913</u>	<u>2,966</u>
Board of Review:				
Salaries	1,000	3,600	1,777	1,823
Legal	200	200	109	91
Miscellaneous	<u>400</u>	<u>400</u>	<u>171</u>	<u>229</u>
Total Board of Review	<u>1,600</u>	<u>4,200</u>	<u>2,057</u>	<u>2,143</u>
Township Hall:				
Custodial wages	23,900	25,467	24,562	905
Fringe benefits	9,345	6,761	3,220	3,541
Utilities	5,000	7,320	7,315	5
Mileage	250	250	248	2
Supplies	2,500	2,800	3,182	(382)
Insurance and bonds	14,000	16,100	15,999	101
Repairs and maintenance	7,000	3,750	2,487	1,263
Street lights	7,500	8,182	8,181	1
Communications	2,100	2,565	2,562	3
Miscellaneous	500	500	243	257
Equipment/building	<u>4,500</u>	<u>4,500</u>	<u>4,243</u>	<u>257</u>
Total Township Hall	<u>76,595</u>	<u>78,195</u>	<u>72,242</u>	<u>5,953</u>

TOWNSHIP OF GERRISH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Zoning:				
Salaries	\$ 10,000	\$ 10,000	\$ 9,805	\$ 195
Legal	1,000	1,000	342	658
Professional services	25,000	20,800	14,865	5,935
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>230</u>	<u>1,770</u>
Total Zoning	<u>33,800</u>	<u>33,800</u>	<u>25,242</u>	<u>8,558</u>
Total General Government	<u>465,860</u>	<u>477,710</u>	<u>400,998</u>	<u>76,712</u>
Special Assessments:				
Road projects	<u>31,492</u>	<u>69,894</u>	<u>69,856</u>	<u>38</u>
Total Special Assessments	<u>31,492</u>	<u>69,894</u>	<u>69,856</u>	<u>38</u>
Building Administration:				
Salary	16,068	68	-0-	68
Plumbing and mechanical inspector	17,000	17,000	12,044	4,956
Electrical inspector	14,000	14,000	11,883	2,117
Building inspector	22,000	46,000	46,252	(252)
Office supplies	2,000	2,000	372	1,628
Mileage	500	500	-0-	500
Miscellaneous	600	600	421	179
Equipment	<u>3,000</u>	<u>3,000</u>	<u>-0-</u>	<u>3,000</u>
Total Inspectors	<u>75,168</u>	<u>83,168</u>	<u>70,972</u>	<u>12,196</u>

TOWNSHIP OF GERRISH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Recreation:				
Custodian	\$ 4,000	\$ 4,250	\$ 3,773	\$ 477
Mileage	250	250	87	163
Utilities	450	450	365	85
Repairs and maintenance	1,750	1,750	585	1,165
Building and grounds	9,500	8,200	4,875	3,325
Capital outlay	<u>2,000</u>	<u>3,050</u>	<u>2,807</u>	<u>243</u>
Total Recreation	<u>17,950</u>	<u>17,950</u>	<u>12,492</u>	<u>5,458</u>
Contingency	<u>107,179</u>	<u>48,927</u>	<u>-0-</u>	<u>48,927</u>
Total Expenditures	<u>697,649</u>	<u>697,649</u>	<u>554,318</u>	<u>143,331</u>
Excess:				
Revenues over (under) expenditures	<u>(148,241)</u>	<u>(148,241)</u>	<u>70,929</u>	<u>219,170</u>
Other financing sources (uses):				
Operating transfers (out)	<u>(54,044)</u>	<u>(54,044)</u>	<u>(54,044)</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>(54,044)</u>	<u>(54,044)</u>	<u>(54,044)</u>	<u>-0-</u>
Excess:				
Revenue and other financing sources over (under) expenditures and other financing uses	(202,285)	(202,285)	16,885	219,170
Fund Balance - April 1	<u>202,285</u>	<u>202,285</u>	<u>509,332</u>	<u>307,047</u>
Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 526,217</u>	<u>\$ 526,217</u>

TOWNSHIP OF GERRISH
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 516,892	\$ 516,892	\$ 713,808	\$ 196,916
Charges for services	92,500	92,500	97,416	4,916
Interest	6,000	6,000	29,178	23,178
Other	-0-	-0-	14,205	14,205
Total Revenues	<u>615,392</u>	<u>615,392</u>	<u>854,607</u>	<u>239,215</u>
Expenditures:				
Wages	300,501	286,176	251,574	34,602
Fringe benefits	56,620	75,145	51,471	23,674
Utilities	10,000	10,730	10,730	-0-
Office supplies	7,000	13,429	14,110	(681)
Communication	3,500	3,500	3,100	400
Training & education	15,350	10,350	3,462	6,888
Insurance	32,085	32,085	30,571	1,514
Supplies	38,000	42,450	22,156	20,294
Repairs and maintenance	61,200	57,159	28,688	28,471
Services	17,254	19,281	14,664	4,617
Mileage	1,110	1,110	87	1,023
Miscellaneous	4,000	4,504	4,421	83
Equipment/building	<u>329,765</u>	<u>320,466</u>	<u>58,829</u>	<u>261,637</u>
Total Expenditures	<u>876,385</u>	<u>876,385</u>	<u>493,863</u>	<u>382,522</u>
Excess:				
Revenues over (under) expenditures	(260,993)	(260,993)	360,744	621,737
Fund Balance - April 1	<u>260,993</u>	<u>260,993</u>	<u>781,860</u>	<u>520,867</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,142,604</u>	<u>\$ 1,142,604</u>

TOWNSHIP OF GERRISH
POLICE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 516,892	\$ 516,892	\$ 524,837	\$ 7,945
Federal	-0-	-0-	14,250	14,250
State	1,200	1,200	1,664	464
Charges for services	250	250	2,256	2,006
Interest	6,000	6,000	16,558	10,558
Other	-0-	-0-	1,021	1,021
Total Revenues	<u>524,342</u>	<u>524,342</u>	<u>560,586</u>	<u>36,244</u>
Expenditures:				
Wages	321,206	340,816	328,446	12,370
Fringe benefits	99,544	79,788	64,087	15,701
Utilities	8,000	8,000	6,960	1,040
Office supplies	10,500	10,500	7,053	3,447
Communication	5,000	4,560	4,227	333
Training & education	6,200	6,200	4,668	1,532
Insurance	24,189	24,189	21,338	2,851
Supplies	20,500	21,000	16,448	4,552
Repairs and maintenance	27,000	26,000	16,392	9,608
Services	5,200	11,336	8,631	2,705
Travel & meals	4,500	4,500	3,611	889
Miscellaneous	2,663	2,363	2,421	(58)
Equipment/building	<u>64,224</u>	<u>59,474</u>	<u>47,284</u>	<u>12,190</u>
Total Expenditures	<u>598,726</u>	<u>598,726</u>	<u>531,566</u>	<u>67,160</u>
Excess:				
Revenues over (under) expenditures	<u>(74,384)</u>	<u>(74,384)</u>	<u>29,020</u>	<u>103,404</u>
Other financing sources (uses):				
Operating transfers (out)	<u>(46,340)</u>	<u>(46,340)</u>	<u>(46,340)</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>(46,340)</u>	<u>(46,340)</u>	<u>(46,340)</u>	<u>-0-</u>
Excess:				
Revenues over (under) expenditures and other financing uses	<u>(120,724)</u>	<u>(120,724)</u>	<u>(17,320)</u>	<u>103,404</u>
Fund Balance - April 1	<u>120,724</u>	<u>120,724</u>	<u>631,233</u>	<u>510,509</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 613,913</u>	<u>\$ 613,913</u>

TOWNSHIP OF GERRISH
SANITATION FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Special Assessments	\$ 271,700	\$ 271,700	\$ 283,984	\$ 12,284
Interest	<u>7,300</u>	<u>7,300</u>	<u>18,109</u>	<u>10,809</u>
Total Revenues	<u>279,000</u>	<u>279,000</u>	<u>302,093</u>	<u>23,093</u>
Expenditures:				
Contracted services	320,080	320,080	270,948	49,132
Miscellaneous	5,000	5,000	2,092	2,908
Contingency	<u>161,309</u>	<u>161,309</u>	<u>-0-</u>	<u>161,309</u>
Total Expenditures	<u>486,389</u>	<u>486,389</u>	<u>273,040</u>	<u>213,349</u>
Excess:				
Revenues over (under) expenditures	(207,389)	(207,389)	29,053	236,442
Fund Balance - April 1	<u>207,389</u>	<u>207,389</u>	<u>472,573</u>	<u>265,184</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 501,626</u>	<u>\$ 501,626</u>

TOWNSHIP OF GERRISH
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2007

	<u>Cemetery</u>	<u>Building Authority</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 75,378	\$ 316,346	\$ 391,724
Interest receivable	<u>-0-</u>	<u>628</u>	<u>628</u>
Total Assets	<u>\$ 75,378</u>	<u>\$ 316,974</u>	<u>\$ 392,352</u>
Fund Balance:			
Undesignated	<u>\$ 75,378</u>	<u>\$ 316,974</u>	<u>\$ 392,352</u>
Total Fund Equity	<u>\$ 75,378</u>	<u>\$ 316,974</u>	<u>\$ 392,352</u>

TOWNSHIP OF GERRISH
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED MARCH 31, 2007

	<u>Cemetery</u>	<u>Building Authority</u>	<u>Totals</u>
Revenues:			
Fees	\$ 10,755	\$ -0-	\$ 10,755
Interest	<u>4,448</u>	<u>13,667</u>	<u>18,115</u>
Total Revenues	<u>15,203</u>	<u>13,667</u>	<u>28,870</u>
Expenditures:			
Personal service	4,022	-0-	4,022
Utilities	208	-0-	208
Repairs and maintenance	1,087	-0-	1,087
Miscellaneous	1,827	-0-	1,827
Capital outlay	2,122	-0-	2,122
Debt Service:			
Principal	-0-	15,000	15,000
Interest	<u>-0-</u>	<u>18,022</u>	<u>18,022</u>
Total Expenditures	<u>9,266</u>	<u>33,022</u>	<u>42,288</u>
Excess:			
Revenues over (under) expenditures	<u>5,937</u>	<u>(19,355)</u>	<u>(13,418)</u>
Other financing sources (uses):			
Operating transfers (in)	<u>-0-</u>	<u>100,384</u>	<u>100,384</u>
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>100,384</u>	<u>100,384</u>
Excess:			
Revenue and other financing sources over (under) expenditures and other uses	5,937	81,029	86,966
Fund Balance - April 1	<u>69,441</u>	<u>235,945</u>	<u>305,386</u>
Fund Balance - March 31	<u>\$ 75,378</u>	<u>\$ 316,974</u>	<u>\$ 392,352</u>



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES
AND MATERIAL WEAKNESSES**

July 25, 2007

Township Board
Gerrish Township
Roscommon County, Michigan

In planning and performing my audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Gerrish, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered Gerrish Township's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly I do not express an opinion on the effectiveness of the governmental unit's internal control.

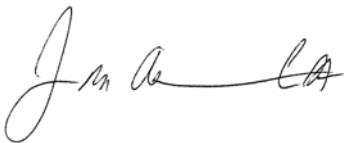
My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiency to be a significant deficiency in internal control.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Township has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the Township's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. I believe that the deficiency described above is a material weakness.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

A handwritten signature in dark ink, appearing to read "James M. Anderson", with a stylized flourish at the end.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

July 25, 2007

Township Board
Gerrish Township
Roscommon County, MI

Dear Board Members:

I have audited the financial statements of each major fund and the aggregate remaining fund information of the Township of Gerrish for the year ended March 31, 2007, and have issued my report thereon dated July 25, 2007. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in my engagement letter dated July 23, 2007, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Township of Gerrish. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Gerrish Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Gerrish are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Township of Gerrish during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

MEMBER MACPA and AICPA

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Gerrish Township's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Township of Gerrish, either individually or in the aggregate, indicate matters that could have a significant effect on Gerrish Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves applications of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Gerrish Township's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Township Board
Gerrish Township
July 25, 2007
Page 3

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "J M Anderson".

James M. Anderson, P.C.
Certified Public Accountant